

# Perspectives

FOR RETIRED  
MEMBERS  
OF THE  
NORTH DAKOTA  
PUBLIC  
EMPLOYEES  
RETIREMENT  
SYSTEM

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## New Regulations Improve Portability of Deferred Compensation Accounts

The Economic Growth and Tax Relief Reconciliation Act (EGTRRA) became effective January 1, 2002. It offers some new and improved benefits for participants in the State's Section 457 Deferred Compensation Plan. These benefits include contribution limit increases, changes to rules for hardship withdrawals, easier rollovers between plans, a new catch-up provision for members who are at least 50 years of age, a tax credit for lower income employees, and more flexible distribution rules. The following is a summary of the changes that may apply to you as a retiree:

### Rollovers

In the past, amounts distributed from 457 deferred comp plans could not be rolled over, but could be transferred tax-free to another 457 plan. Upon separation from service, these distributions are now eligible for rollover to another 457 as well as a 403(b) plan, an eligible IRA, or other tax qualified plan so long as that plan allows for acceptance of such funds. However, if you roll money from a 457 plan into a 403(b) plan, for example, that money takes on the attributes of the 403(b) plan and the 10% penalty for early withdrawal may apply. Also, rollover distributions from a 457 deferred comp plan are subject to a mandatory

20% federal income tax withholding requirement unless you elect to make a direct rollover to an eligible plan.

### Distribution Options

EGTRRA has liberalized the distribution rules applicable to 457 deferred comp plans. In the past, upon termination from employment, a participant was required to make an "irrevocable election" specifying the date for distribution of the account. You could elect to begin distribution immediately or defer it to a later date. You were allowed only a one time opportunity to change the election date. Also, once distribution began, you could not change the method of distribution. You will no longer be required to elect a distribution date upon termination from employment. Furthermore, once distribution begins, you will have the opportunity to change your payment schedule. The minimum distribution rules that require you to begin distributions no later than April 1 of the year following the year in which your turn age 70½ still apply unless you are actively employed.

If you have any questions about how the above regulations relate to your specific situation, please contact your deferred comp provider representative.

*For those of you keeping track, the Dow has climbed 28.9% from its post-September 11 attack lows, the NASDAQ is up 35.6%, and the S&P is nearly 21% higher.*

## Dental Plan *Eligibility Requirements for Retirees*

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***October 2002 will be the last annual open enrollment period available to retirees.***

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Currently retirees are eligible to participate in the group dental plan so long as they are receiving a retirement benefit from one of the retirement systems administered by NDPERS or if receiving a benefit from TIAA-CREF, TFFR, or Job Service. If you are enrolled in the plan at the time you retire, you may elect to continue that coverage. You may also enroll during the open enrollment period conducted each year in the Fall. The PERS Board recently reviewed this policy and approved a change to the eligibility requirements for retirees. The change will allow retirees the opportunity to enroll in the dental plan subject to a list of qualifying events. The qualifying events are the same as those for enrollment in the group health plan. Effective January 1, 2002, retirees may enroll in the group health plan within 31 days of a qualifying event or during the annual enrollment. The qualifying events are as follows:

- Date of retirement which is the last day of employment or date of first retirement check.
- Retiree's 65th birthday or eligibility for Medicare.
- Retiree's spouse's 65th birthday or eligibility for Medicare.
- The last date of coverage in a dental plan provided by the retiree's or spouse's employer. This includes loss of coverage due to death of, or divorce from a spouse as well as the completion of COBRA continuation coverage.
- Marriage.
- Birth, adoption, or legal guardianship of a child.



October 2002 will be the last annual open enrollment period available to retirees. Beginning January 1, 2003 the qualifying events will be the only eligibility requirements applied to retirees. If you do not enroll within 31 days of any one of the qualifying events, you may have forfeited your right to enroll in the plan in the future.

If you are eligible to enroll due to a qualifying event, please contact the NDPERS office to request an application form. Applications must be completed and returned by the 15th of the month prior to the effective date. Late applications must include a check payable to NDPERS for the first month's premium. Applications received outside 31-days of a "qualifying event" will not be accepted.

## Health Insurance and Disability

If you are on the NDPERS group health insurance plan and become entitled to Medicare Parts A and B prior to reaching age 65 due to eligibility for Social Security Disability benefits, please be sure to notify the NDPERS office as soon as possible. Once you are entitled to Medicare benefits, it becomes your primary payer and the Dakota Retiree Plan becomes the secondary payer. Therefore, we must adjust your health premium to the Medicare rate. This rate is lower than the rate applied to non-Medicare contracts.

To request a change in premium, please contact the NDPERS office for the appropriate application. We will also require a copy of your Social Security determination letter.

## Important Notice Regarding Your Bank of North Dakota Deferred Compensation Account

Effective April 1, 2002, the interest rate on your Deferred Compensation account will be indexed on the five-year Bank of North Dakota Certificate of Deposit.

Thereafter, the interest rate on the account will be adjusted each January 1, and will be indexed off the Bank of North Dakota's five-year Certificate of Deposit rate.

# NDPERS Retirement System Future Directions

The Board of the Public Employees Retirement System is continuing to work on the goals and objectives for the future of the main retirement system and is interested in your comments. This last session we reached our long standing goal of providing a career employee 90% of final average salary (including social security) at retirement. A career employee is a member with 25 years of service. Following are the goals and objectives under consideration by the PERS Board:

## GOAL #1

Enable career employees to care for themselves and their dependents at retirement and to provide a plan that will reduce personnel turnover and encourage employees to pursue long-term employment.

1. In order for career employees to provide for themselves and their dependents, the retirement plan should provide, at retirement, a benefit of 90% of final average salary plus the employer paid health insurance premium. The definition of career employee is 30 years.
2. To reduce employee turnover, encourage career employment and provide for career employees, PERS will have a two-tier benefit structure with a 2% multiplier for the first 20 years of service and a multiplier in the second tier that will achieve the above objective.

## GOAL #2

Establish a mechanism that will maintain the purchasing power of current retirement benefits.

1. Until PERS can develop, fund and implement a long term mechanism for providing cost of living adjustments, the system will provide regular increases to retirees that can be funded on an actuarially sound basis.
2. PERS will study the development of a method to provide long term cost of living adjustments to members of the system that can be accomplished on an actuarially sound basis.

## GOAL #3

Provide members with greater flexibility to access, supplement, contribute to and draw from their retirement funds.

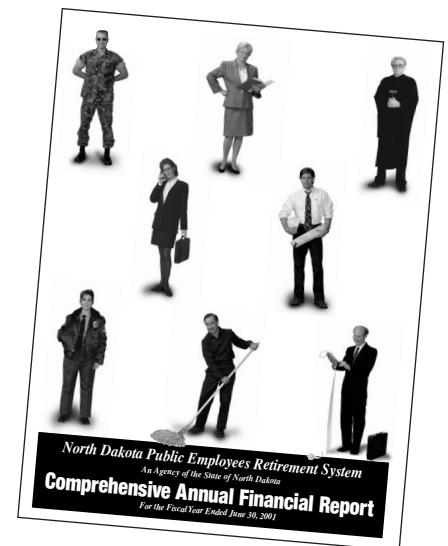
1. To consider revising the definition of final average salary to provide more flexibility for members to stay in public employment should their position change.
2. To examine additional options for members to draw their retirement benefit such as a partial lump sum payment.
3. To review possible enhancements in the Joint and Survivor benefit that would better provide for a member's spouse and could be done in a manner that would also be equitable for single employees.
4. To consider having a J&S benefit added to the level social security option.

## GOAL #4

Develop incentives for members to encourage supplemental retirement savings.

1. To develop a method by which members could get a portion of their PEP contribution either paid to them as cash at retirement, applied to the purchase of service, or used to offset retirement health premiums.

Please forward your comments to the PERS office, either in writing or by e-mail to [ndpers@state.nd.us](mailto:ndpers@state.nd.us).



## 2001 Comprehensive Annual Financial Report

NDPERS prepares a Comprehensive Annual Financial Report as of June 30 of each year. This report contains detailed financial, investment, actuarial and statistical information for the plans administered by NDPERS. You can view, download or print the report from the NDPERS website at [www.discovernd.com/ndpers](http://www.discovernd.com/ndpers) under the 'News' button. You may also request a copy of the report by sending an e-mail to [khumann@state.nd.us](mailto:khumann@state.nd.us) or by calling the PERS office.



## RFP: Voluntary Insurance Products

NDPERS sent out a request for proposals for the group dental and long term care plans and for a group vision plan. The deadline for proposals was March 19, 2002. The proposals will be reviewed and evaluated by our consultant and the PERS Board will make the final selection by early summer. Program implementation will be January 1, 2003.

## When Visiting The NDPERS Office:

*Please make an appointment before stopping by the NDPERS office. Although staff will accommodate walk-ins when possible, an appointment will ensure that someone is available to assist you at the time you arrive. An appointment also allows staff to prepare appropriate benefit information for your individual needs.*

*Remember to visit and browse our website at*

**discovernd.com/ndpers**

*for information about NDPERS and its programs and operations.*

*The articles and opinions in this publication are for general information only and are not intended to provide specific advice or recommendations for any individual. We suggest that you consult your attorney, accountant, financial or tax advisor with regard to your individual situation. This newsletter is available in alternate formats upon request. Printed on recycled paper.*

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